

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter on the Commission's own motion,)	
to open a contested case proceeding for determining)	
the process and requirements for a forward)	Case No. U-18444
locational requirement under MCL 460.6w.)	
_____)	

At the October 11, 2017 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER OPENING DOCKET

This order opens a contested case proceeding for determining the process and requirements for a forward locational requirement for generation resources used to meet electric capacity obligations under Section 6w of 2016 PA 341 (Act 341). In 2016, Michigan enacted a new statutory framework for resource adequacy in Section 6w of Act 341 to ensure that all energy providers – including alternative electric suppliers, municipal utilities, electric cooperatives, and regulated electric utilities – contribute to the state's long-term electric capacity needs. To comply with Section 6w of Act 341, the Commission determined the capacity obligations for individual electric providers over a four-year period and created a process to evaluate whether such obligations are met, as set forth in its September 15, 2017 order in Case No. U-18197 (September 15 order). In the same case, the Commission further concluded that Section 6w requires a locational requirement for generation resources and that "a locational requirement

applicable to individual [load serving entities (LSEs)] is allowed as part of the capacity obligations set forth by the Commission pursuant to Section 6w in order to ensure all providers contribute to long-term resource adequacy in the state.” *See* June 15, 2017 order in Case No. U-18197, pp. 10-11, and September 15 order, pp. 35-38. In setting these obligations in Case No. U-18197, the Commission chose to postpone, for a later contested case proceeding, determination of a methodology for the amount and allocation of a forward locational requirement. The Commission believes this will allow for the development of a full record through a contested case process and for more information and analysis regarding the various approaches proposed for this requirement. *See* September 15 order, p. 40.

In order to establish a methodology to project how much capacity will be needed to meet the Midcontinent Independent System Operator, Inc. (MISO) local clearing requirement (LCR) over the long term as required by law, and to ensure that all electric providers are contributing to meeting that requirement through the use of a forward locational requirement for the 2022/2023 planning year and subsequent planning years, the Commission opens the docket in this contested case proceeding and notifies all parties and potential intervenors that a prehearing conference will take place at 9:00 a.m. on November 29, 2017, before Administrative Law Judge Dennis W. Mack (ALJ), at the Commission’s Lansing offices, 7109 W. Saginaw Highway, Lansing, Michigan, 48917. Interested persons shall submit timely petitions to intervene no later than 5:00 p.m. on November 22, 2017.

The Commission is interested in further exploring the incremental approach described by the Commission Staff (Staff) in its August 1, 2017 report filed in Case No. U-18197, but is also open to considering other proposals that would result in meeting long-term reliability goals in an equitable, cost-effective manner under Michigan’s hybrid market structure. To initiate this

process, the Commission directs the Staff to submit a proposal with supporting testimony by 5:00 p.m. on November 15, 2017, in this docket that addresses the following questions:

- What is the MISO LCR for each zone?
 - How should the LCR, for purposes of Section 6w, be projected four years into the future as set forth in the law?
- How should the incremental capacity need be determined initially and also going forward?
 - What is an appropriate time period for assessment? 4 years? 5 years? 10 years?
 - What should the starting date be for the time period under consideration?
 - What should the ending date be?
 - How should plant retirements be factored into the analysis to determine incremental need?
 - How should new resources, including generation and demand response, be factored into the analysis to determine incremental need?
 - How to account for recent or planned capacity additions?
 - How to account for plants whose useful life may be extended, such as investing in older peaking units to allow for continued operation for capacity purposes?
 - What load projection should be used for the analysis and should the projection be set at base year or have a growth assumption?
 - Should the incremental capacity need only be established four years into the future, or should it be projected for additional planning years as well?
- Once the incremental need is determined, how should the incremental need be allocated to the load serving entities within the zone?
 - Should allocations be based on load ratio share or some other approach?
 - How should changes in load levels for each LSE over time be accounted for?
 - How does the recommended incremental capacity need with allocation translate to the individual load serving entity locational requirements in zonal resource credits per planning year?
- How should the incremental need be re-evaluated or re-assessed going forward? How often?

- Based on the Staff’s proposed methodology, what is the recommended incremental capacity need for the 2022/2023 planning year and how would that be allocated among load serving entities?
- What resources should count towards meeting Michigan’s forward locational requirement?
 - Can both new and existing resources be used?
 - How should Michigan’s forward locational requirement relate to resources MISO allows to count – e.g., if MISO allows external resources with transmission service to qualify towards meeting LCR?
 - If MISO changes its eligibility criteria over time, how should that be handled?
 - What evidence or guarantees must an LSE provide to show it will meet Michigan’s forward locational requirement?

Additionally, the Commission noted in the September 15 order, relative to setting the forward planning reserve margin requirement, that it will “evaluate, as part of a contested case process, the percentage of non-auction purchases applicable for planning years 2022 and beyond in order to make refinements if needed based on the impact of energy waste reduction initiatives or other considerations.” *See* September 15 order, p. 32. Thus, the Commission directs the Staff to also address this issue in its proposal submitted in this docket.

The Commission also requests technical assistance from the independent system operator, MISO, in determining the planning reserve margin requirement and LCR capacity obligations pursuant to Section 6w(8)(c) of Act 341.

In order to issue a final Commission order in this contested case proceeding in time to provide load serving entities with sufficient notice of the forward locational requirement methodology and process well in advance of their respective capacity demonstration deadlines mandated in Section 6w of Act 341, the Commission has chosen to forego the issuance of a Proposal for Decision and to read the record in this proceeding.

At the prehearing conference, the ALJ shall set the dates for the filing of intervenor testimony, rebuttal filings by all parties with an opportunity for cross-examination, and initial and reply briefs to allow for a final Commission order to be issued by July 1, 2018.

Further, the Commission's Executive Secretary shall electronically serve a copy of this order on each Commission-regulated electric utility in Michigan, every licensed alternative electric supplier in Michigan, each cooperative electric utility in Michigan, each municipally-owned electric utility in Michigan, MISO, and any other party in any the following cases:

Case Nos. U-18197, U-18239, U-18248, U-18253, U-18254, U-18258, and U-18441.

THEREFORE, IT IS ORDERED that:

A. The Commission Staff shall file by November 15, 2017, its initial proposal and supporting testimony addressing the issues identified in this order.

B. Interested persons shall submit timely petitions to intervene no later than 5:00 p.m. on November 22, 2017.

C. The Commission requests technical assistance from the independent system operator, Midcontinent Independent System Operator, Inc., pursuant to Section 6w(8)(c) of 2016 PA 341 in determining the local clearing requirement.

D. The Administrative Law Judge shall conduct a prehearing conference at 9:00 a.m. on November 29, 2017, at the Commission's Lansing offices, 7109 W. Saginaw Highway, Lansing, Michigan, 48917. At the prehearing conference, the Administrative Law Judge shall rule on all intervention petitions. The Administrative Law Judge shall also establish the schedule for the contested case, including the filing dates for intervenor testimony, rebuttal filings by all parties with an opportunity for cross-examination, and initial and reply briefs, and shall conduct the proceedings in an expedited manner so as to close the record in time to transmit the matter to the

Commission no later than May 1, 2018, to allow for a final Commission order to be issued by July 1, 2018. In doing so, the Administrative Law Judge need not prepare a proposal for decision because the Commission intends to read the record.

E. The Commission's Executive Secretary shall electronically serve a copy of this order on each Commission-regulated electric utility in Michigan, every licensed alternative electric supplier in Michigan, each cooperative electric utility in Michigan, each municipally-owned electric utility in Michigan, Midcontinent Independent System Operator, Inc., and any other party in any of the following cases: Case Nos. U-18197, U-18239, U-18248, U-18253, U-18254, U-18258, and U-18441.

The Commission reserves jurisdiction and may issue further orders as necessary.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of October 11, 2017.

Kavita Kale, Executive Secretary